

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AGR-20 NSCE-00 SP-03 AID-20

EB-11 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 DODE-00 PA-04

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FM USLO PEKING

TO SECSTATE WASHDC 2005

INFO AMEMBASSY OTTAWA

AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1080

E.O. 11652: GDS

TAGS: ETRD, CH, EAGR, CA

SUBJECT: CHINA BUYS ADDITIONAL ONE MILLION TONS OF CANADIAN WHEAT

REF: A) PEKING 0976, B) PEKING 1060

1. THE CANADIAN WHEAT BOARD (CWB) MISSION WHICH ARRIVED IN PEKING EARLIER THIS MONTH (REF A) DEPARTED FOR HOME JUNE 26 AFTER FIXING THE PRICE OF ONE MILLION TONS OF WHEAT WHICH CWB HAD ALREADY AGREED TO DELIVER IN THE SECOND HALF OF 1974 AND CONCLUDING A NEW CONTRACT FOR THE SALE OF ONE MILLION TONS OF WHEAT WHICH WILL ALSO BE DELIVERED IN THE SECOND HALF OF THIS YEAR. CANADIAN WHEAT EXPORTS TO CHINA FOR 1974 WILL THUS REACH THREE MILLION TONS, AND TOTAL PRC GRAIN IMPORTS FOR 1974 WILL BE AROUND 9.5 MILLION TONS. WE BELIEVE THIS IS A NEW RECORD.

2. ACCORDING TO CANADIAN EMBASSY PERSONNEL, THE NEW SALE WAS NOT EXPECTED WHEN THE CWB DELEGATION ARRIVED IN PEKING. THEY INDICATED THAT THE TOTAL PRICE FOR THE TWO MILLION TONS NOW TO BE DELIVERED WAS IN THE RANGE OF \$350-400 MILLION.

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AN ANNOUNCEMENT SHOULD BE MADE IN CANADA SHORTLY WHICH SHOULD

PROVIDE MORE SPECIFIC INFORMATION AS TO PRICE AND DELIVERY TERMS. IN THE MEANTIME EMBASSY PERSONNEL EMPHASIZED THAT THE FOREGOING INFORMATION SHOULD NOT BE MENTIONED TO ANYONE OUTSIDE THE USG, CANADIANS INCLUDED.

3. COMMENT: AT DOLS 175-200 PER TON, THE CHINESE HAVE PAID A HIGH PRICE FOR THESE FURTHER GRAIN IMPORTS FOR 1974. CANADIAN EMBASSY PEOPLE BELIEVE, AND WE TEND TO AGREE, THAT THE ADDITIONAL ONE MILLION TONS PURCHASE IS CLEAR EVIDENCE THAT CHINA'S 1974 WINTER WHEAT CROP HAS FALLEN BELOW EXPECTATIONS, DUE TO UNFAVORABLE WEATHER CONDITIONS. IT IS POSSIBLE, AS FOREIGN TRADE MINISTER LI CH'ANG RECENTLY CLAIMED REF B, THAT THIS YEAR'S CROP IS BETTER THAN THAT OBTAINED ONE YEAR AGO, SINCE MORE ACREAGE WAS APPARENTLY SOWN. THE INCREASED ACREAGE, ESTIMATED IN THE VICINITY OF FIVE PERCENT, WOULD HAVE YIELDED OVER ONE MILLION TONS ADDITIONAL WHEAT THIS YEAR. IT IS THUS POSSIBLE, THAT A WINTER WHEAT CROP WHICH WAS ONLY SLIGHTLY BETTER THAN LAST YEAR'S COULD STILL LEAVE PRC PLANNERS ONE MILLION TONS SHORT OF THEIR ORIGINAL EXPECTATIONS. IF SO, THIS WOULD EXPLAIN THE DECISION TO BUY MORE FROM CANADA NOW, EVEN AT A RELATIVELY HIGH PRICE. HOLDRIDGE

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